



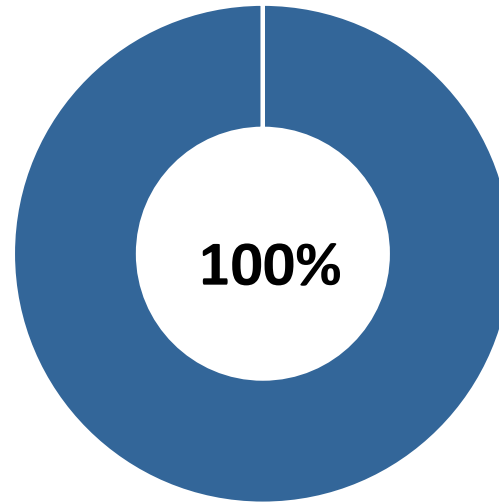
Russian Steel Markets Developments OECD Steel Committee

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Paris
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SUMMARY

- Russian steel sector went through a massive restructuring since 1995 phasing out outdated capacity
- This was driven by market forces as the industry is 100% privately owned
- Investment cycle decelerated, and companies focus on the maintenance of the equipment, improved operational efficiency and product quality
- Steel consumption is expected to recover over the next several years
- Russia's steel use relies on imports including indirect steel imports
- Russian is one of the largest indirect steel importers which leave a room for further growth in locally sold steel
- Russian steel sector managed to reduce its debt and improve its balance sheet standing



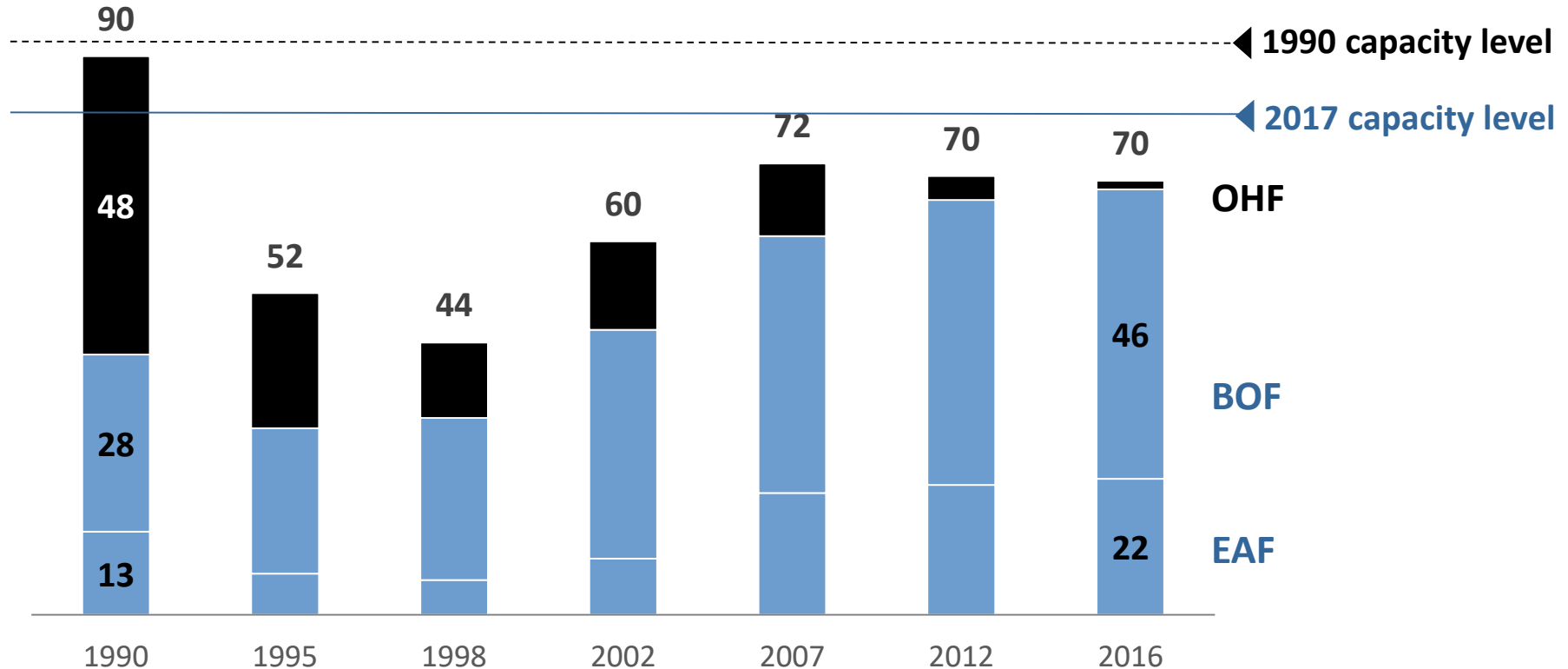
**Privately owned
steel mills in
Russia**

 All steelmaking mills in Russia are privately owned

 No funding, subsidizing, tax exemption, credit preferences or any other kind of government support

25 YEARS OF RUSSIAN STEEL RESTRUCTURING

Steel output by process, million metric tonnes



50% of 1990 capacity was shut down (equivalent of 45 m t)

OHF capacities were phased out replaced by modern EAFs and BOFs

Net capacity decrease of 15 m tpa

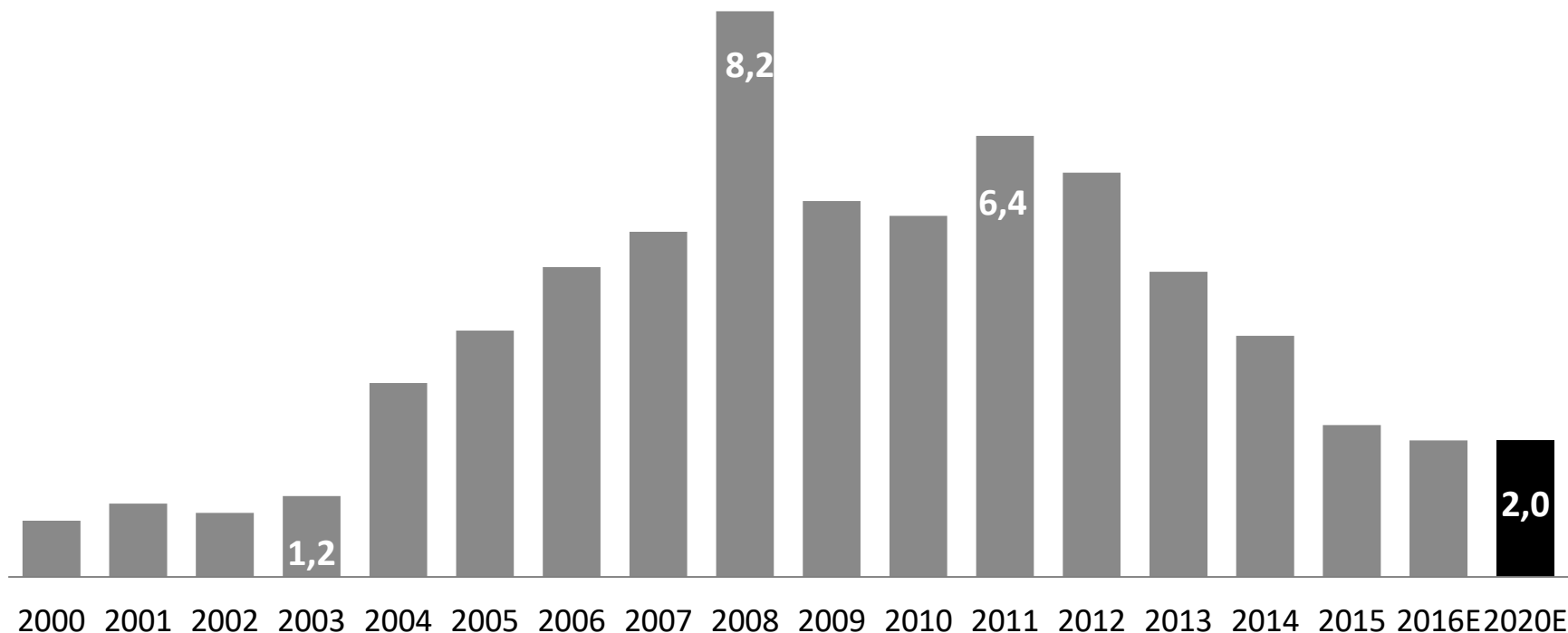
Productivity improved 2.6x over last 15 years

Source: Worldsteel, statistics agencies, incl. Rosstat

ACTIVE PHASE OF INVESTMENT CYCLE IS OVER

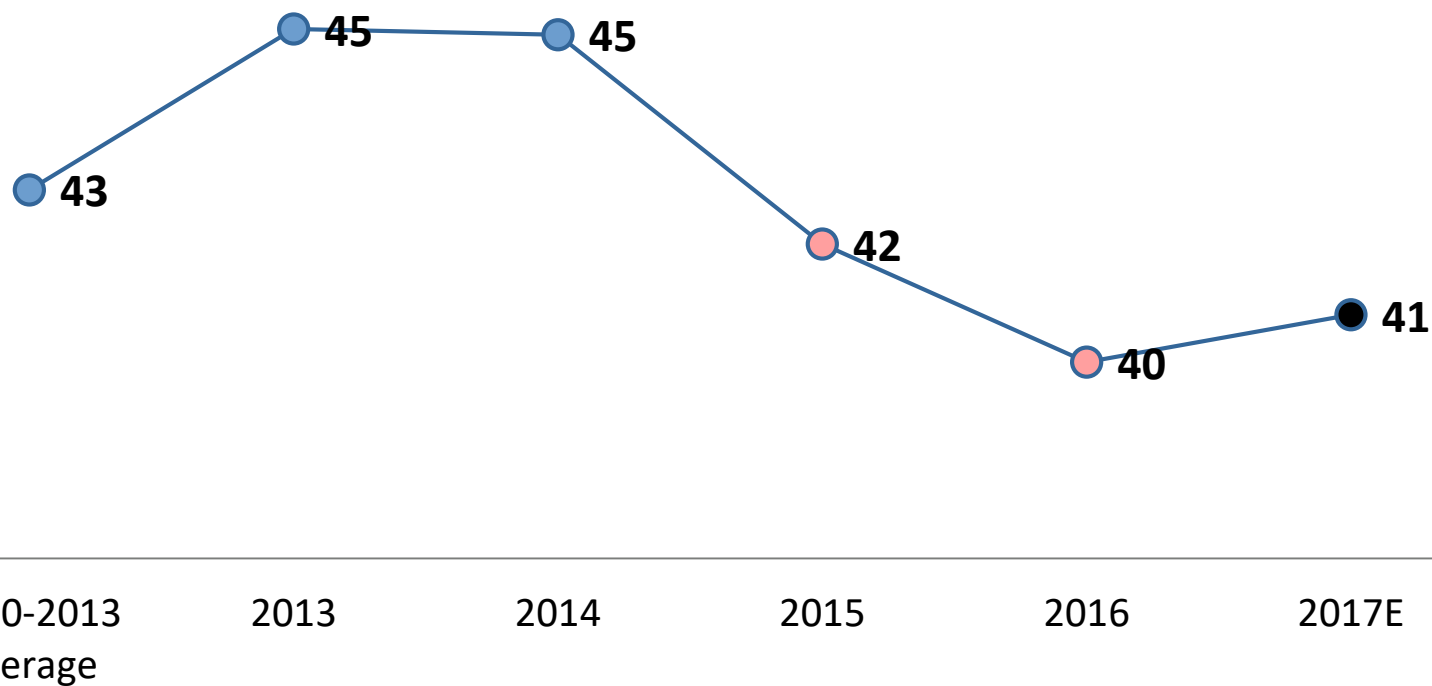


Investments in Russian steel industry, bn \$



Capex dedicated for maintenance and repairs purposes

STEEL DEMAND IS SET TO RECOVER



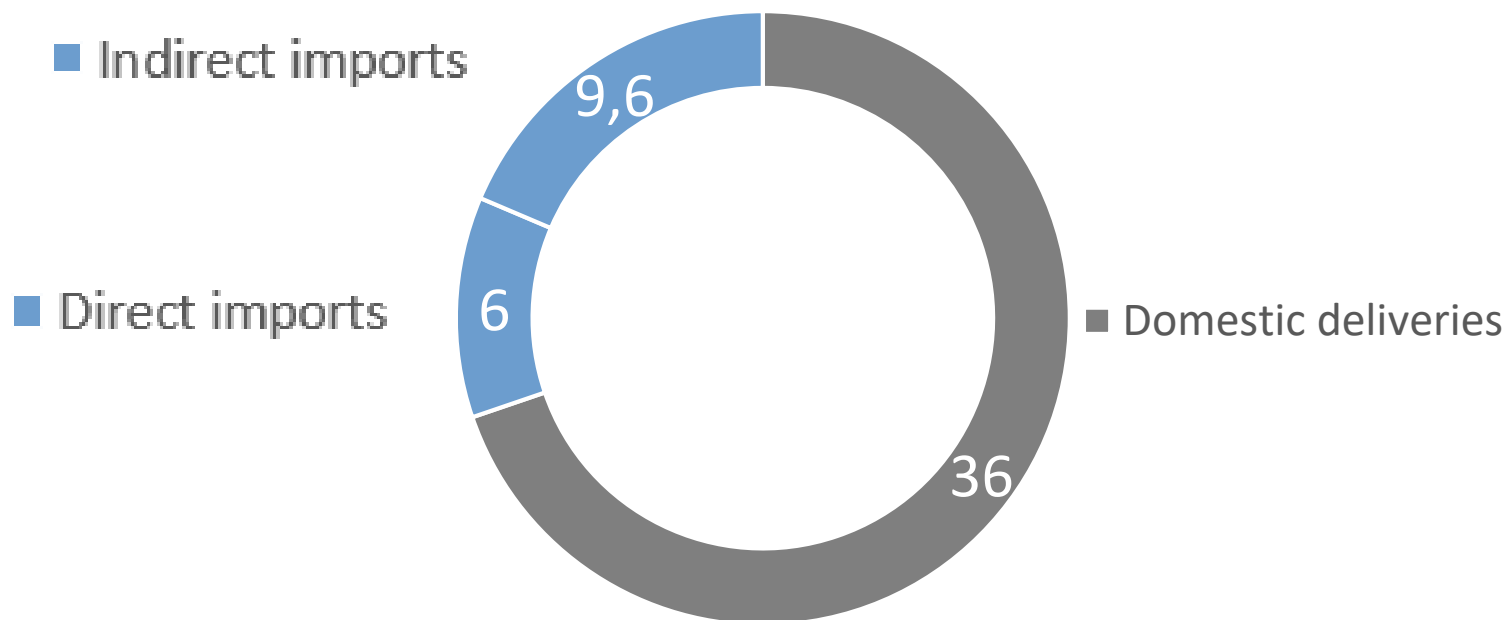
*exports include semi-finished products

Source: statistics agencies, Ministry of industry and Trade, Russian Steel, Worldsteel

APPARENT VS TRUE STEEL USE

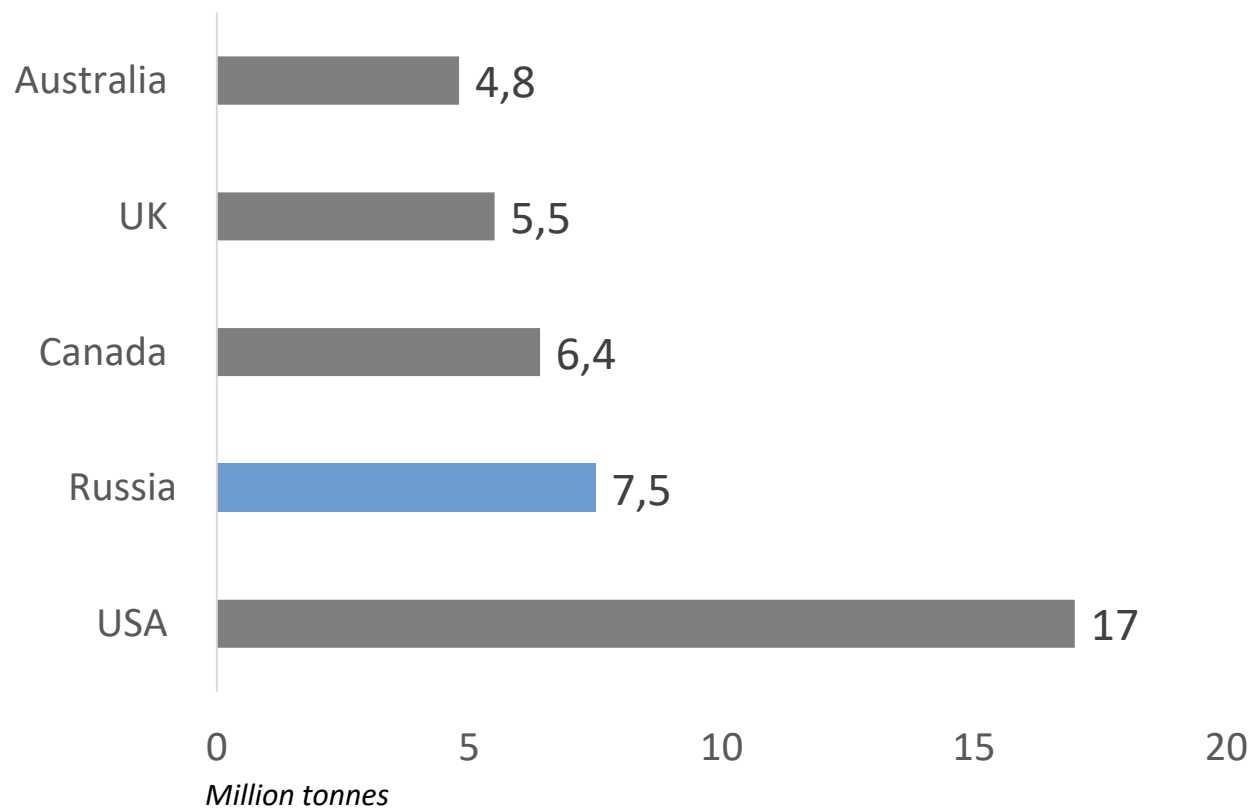
Russian Steel Consumption, 2012-2016 average

MLN MT



- **Direct and indirect steel imports account to 30% of True Steel Use**
- **c. 52 mln mt – average true steel consumption in Russia in 2012-2016**

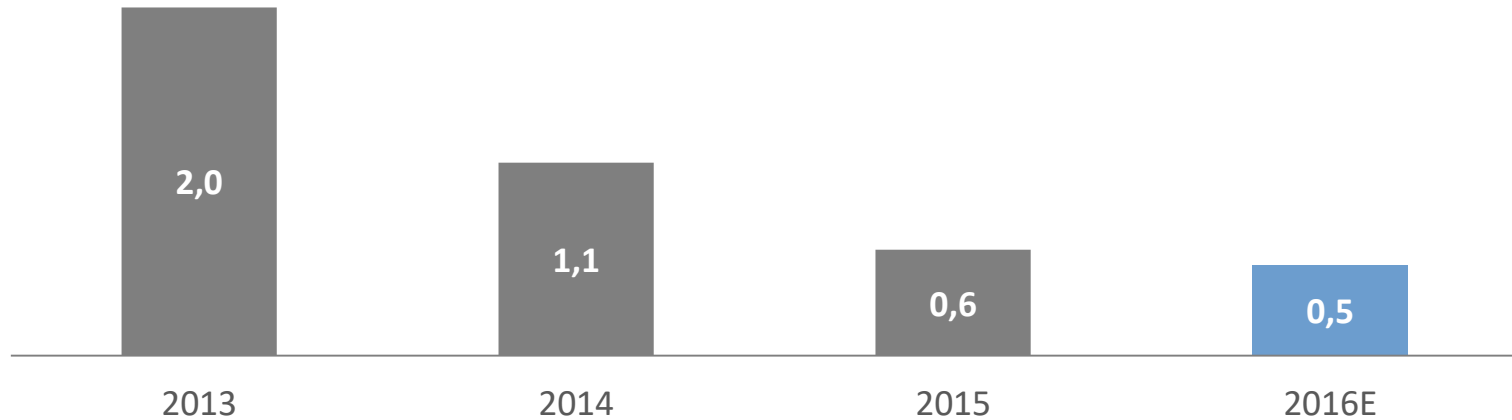
TRUE STEEL USE RANKING



- **Russia is one of the world's largest (#2) importers of steel containing goods**

COMPANIES MANAGE TO DECREASE DEBT

Median, Russian public steel companies



- **Russian steelmaking majors consistently improve its leverage**
- **Two companies have investment grades from global rating agencies (Fitch and S&P) which is above sovereign rating**